MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2020/2021

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

28 OCTOBER 2020
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

Part A

One of the reasons for businesses to combine is to achieve economies of scale. Illustrate the benefits of economies of scale for businesses combining in similar and different lines of business. Provide examples to support your answer.

(5 marks)

Part B

Given below are the Statements of Financial Position of Ann, Bee and Coo as at 31 December 2019.

	Ann RM	Bee RM	Coo RM
Equity and liabilities			
Ordinary shares	25,000,000	5,600,000	8,900,000
10% Preference shares	8,000,000	1,000,000	-
Retained profit b/f	3,200,000	700,000	1,300,000
Profit for the year	1,200,000	325,000	1,200,000
8% Debentures	-	1,400,000	-
Preference dividends payable	800,000	100,000	-
Trade payables	1,800,000	1,375,000	600,000
	40,000,000	10,500,000	12,000,000
Assets			
Property, plant, and equipment	24,720,000	2,340,000	11,000,000
Investment in subsidiaries:			
Ordinary shares in Bee at cost	6,600,000	-	-
10% Preference shares of Bee	400,000	-	-
8% Debentures in Bee	840,000	-	-
Ordinary shares in Coo at cost	-	6,000,000	-
Inventories	2,000,000	660,000	-
Receivables	3,000,000	300,000	-
Preference dividends receivable	40,000	-	-
Bank	2,400,000	1,200,000	1,000,000
	40,000,000	10,500,000	12,000,000

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Additional information:

a) Ann acquired 5.4 million of the 6 million ordinary shares of Bee on 1 January 2019. Ann paid RM6,600,000 by cheque. There is also a deferred payment of RM2,100,000 to be paid on 1 January 2020. The value of the deferred payment on acquisition date is RM2,000,000. Ann has not recorded the deferred payment. Ann also acquired 40% of Bee's 10% non-redeemable preference shares and 60 % of Bee's 8% debentures on 1 January 2019.

b) On 1 January 2019, a non-depreciable property of Bee is valued at RM300,000 higher than its carrying amount.

c) Bee bought 2.4 million of the 4 million issued ordinary shares in Coo on 1 May 2019.

d) During the year 2019, Bee sold inventories for RM500,000 to Ann at cost plus 25%. A quarter of the inventories remains with Ann on 31 December 2019.

e) Included in the receivables of Bee is RM50,000 due from Coo. Coo has remitted RM40,000 on 31 December 2019 which was received by Bee on 1 January 2020.

f) The goodwill of Bee is impaired by RM60,000.

Required:

In accordance with MFRS 10 *Consolidated Financial Statements;* prepare the Consolidated Statement of Financial Position as at 31 December 2019.

(20 marks)

(Total: 25 marks)

QUESTION 2 (25 MARKS)

Part A

MFRS 10 *Consolidated Financial Statements* outlines the requirements for the preparation and presentation of consolidated financial statements that requires entities to consolidate entities it controls. Illustrate **FIVE (5)** steps of consolidation preparation for consolidated statement of financial position.

(5 marks)

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Part B

Given below are the Statements of Profit or Loss of Great and Wall for the year ended 31 December 20X6.

	Great	**Wall**
	RM	**RM**
Turnover	3,400,000	2,200,000
Cost of sales	(1,200,000)	(800,000)
Gross profit	2,200,000	1,400,000
Operating expenses	(600,000)	(360,000)
Operating profit before taxation	1,600,000	1,040,000
Dividends from quoted investment	80,000	60,000
Debenture interest	-	(40,000)
Debenture interest from Wall	16,000	-
Dividends from Wall		
Ordinary shares	96,000	-
Preference share	12,600	-
	1,804,600	1,060,000
Taxation	(600,000)	(400,000)
Profit for the year	1,204,600	660,000

Additional information:

a) Retained profit of Great and Wall as at 1 January 20X6 is RM440,000 and RM200,000 respectively.

b) Great acquired 480,000 ordinary shares of 800,000 ordinary shares, 240,000 preference shares of 800,000 preference shares and RM160,000 10% debentures of Wall on 1 January 20X1. The retained profit of Wall on the date of acquisition was RM80,000.

c) On 1 January 20X1, the fair value of Wall's building was RM400,000 more than its carrying amount. The additional depreciation based on fair value is RM40,000.

d) RM400,000 sales of Great includes sales to Wall at cost plus 25% and RM80,000 of the goods remain as closing inventory of Wall.

e) RM240,000 of dividends paid for ordinary shares was made by Great for year 20X6.

f) Dividends paid by Wall were as follows:
   Ordinary dividends RM160,000
   Preference dividends RM42,000

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Required:
In accordance with MFRS 10 *Consolidated Financial Statements*, prepare the Consolidated Statement of Profit or Loss of Great Group for the year ended 31 December 20X6.

(20 marks)

(Total: 25 marks)

QUESTION 3 (25 MARKS)

Part A
Decrease in shareholdings is a situation whereby a parent company or the investor disposes of all or a portion of its interest in the investee company. What are the situations that derive part of the parent's interest? Illustrate **TWO (2)** issues involved due to decrease in shareholding.

(5 marks)

Part B
Given below are the Statements of Financial Position of Ex, Wy and Zee as at 31 December 20X8.

	Ex	**Wy**	**Zee**
	RM'000	**RM'000**	**RM'000**
Land and building	160,000	84,400	80,000
Less: Accumulated depreciation	(40,000)	(20,000)	(32,000)
	120,000	64,400	48,000
Investments			
Wy	52,000	-	-
Zee	14,000	-	-
Current assets			
Inventories	8,000	2,800	2,400
Trade receivables	12,000	2,000	4,000
Bank	3,440	1,600	2,400
	209,440	70,800	56,800
Equity			
Ordinary shares	112,000	42,000	40,000
Preference shares	28,000	8,000	-
Retained profit	49,040	12,000	10,000
Revaluation reserve	400	4,400	400

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Liabilities			
Trade payables	16,000	3,200	4,800
Tax payable	4,000	1,200	1,600
	209,440	70,800	56,800

Additional information:

a) The following are the details of issued share capital of Ex, Wy and Zee:

	Ex	**Wy**	**Zee**
Ordinary shares	80 million	40 million	40 million
Preference shares	28 million	8 million	

b) The following are the retained profit on 1 January 20X8:

	Ex	**Wy**	**Zee**
	RM'000	**RM'000**	**RM'000**
Retained profit	48,000	11,200	9,200

c) In year 20X5, Ex acquired 32 million ordinary shares in Wy when the retained profit of Wy was RM6,800,000.

d) On the date of acquisition, a piece of land owned by Wy has a fair value of RM4,000,000 more than its carrying amount. Wy incorporated the fair value of the land in its financial statements. Subsequently, the fair value increased by another RM400,000 that has been recognised by Wy in its financial statements.

e) Ex acquired 10 million shares in Zee in year 20X6 when the retained profit of Zee was RM5,200,000. Zee is an associate of Ex.

f) During the year ended 31 December 20X8, the consolidated profit or loss for the group shows the profit after tax attributable to parent amounting RM9,660,000. Ex has recognised in the statement of profit or loss its share of dividends from its investee.

g) The trade receivables of Ex include RM400,000 owed by Wy and the trade payables of Wy include RM360,000 owed to Ex. On 20 December 20X8, Wy sent a cheque for RM40,000 to Ex. However, the cheque was not received by Ex until 5 January 20X9.

h) During the year ended 13 December 20X8, Ex sold inventories to Wy for RM4,000,000 at cost plus 25% mark up. One quarter of these inventories were still in Wy's inventories.

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i) During the year ended 31 December 20X8, Zee sold inventories to Ex at cost plus 25% mark up. The sales value was RM800,000 and as at 31 December 20X8, 50% of these inventories remained unsold by Ex.

j) Ex paid dividends of RM8,000,000 in year 20X8.

Required:
In accordance with MFRS 10 *Consolidated Financial Statements* prepare a Consolidated Statement of Financial Position for Ex Group as at 31 December 20X8.

(20 marks)

(Total: 25 marks)

QUESTION 4 (25 MARKS)

The following are the consolidated financial statements of Robix Group Bhd.

Consolidated Statements of Financial Position of Robix Group as at 31 December

	2019	**2018**
	RM	**RM**
Property, plant and equipment	69,100,000	50,000,000
Investment in associate companies	8,300,000	7,700,000
Goodwill on consolidation	9,300,000	15,000,000
Inventory	19,100,000	14,800,000
Trade receivables	14,500,000	9,800,000
Bank	24,580,000	5,900,000
	144,880,000	103,200,000
Ordinary share capital	40,000,000	40,000,000
Retained profits	36,000,000	22,000,000
Non-controlling interest	18,400,000	9,200,000
10% debentures	16,000,000	13,000,000
Trade payables	34,480,000	19,000,000
	144,880,000	103,200,000

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Consolidated Statements of Profit or Loss for the year ended 31 December 2019

	RM
Turnover	160,000,000
Cost of sales	(96,000,000)
Gross profit	64,000,000
Expenses	(35,520,000)
Operating profit	28,480,000
Share of profits of associate companies	1,120,000
Profit before tax	29,600,000
Tax- Robix Group and subsidiaries	(4,480,000)
Profit after tax	25,120,000
Profit after tax attributable to:	
Equity holders of Robix Bhd	19,220,000
Non-controlling interest	5,900,000
	25,120,000

Additional information:

a) Dividends paid by Robix Bhd during the year were RM5,220,000.

b) The expenses for the year ended 31 December 2019 include depreciation charges on property, plant and equipment of RM6,500,000 and impairment of goodwill.

c) On 1 January 2019, Robix Group acquired an 80 percent interest in Yahu Bhd, by paying cash RM24,000,000. The fair value of the net assets of Yahu Bhd on 1 January 2019 is as follows:

	RM
Property, plant and equipment	16,800,000
Inventory	4,000,000
Trade receivables	4,300,000
Bank	5,300,000
Trade payables	2,400,000

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Required:

i) Prepare the consolidated cash flow statement for the year ended 31 December 2019 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(15 marks)

ii) Compute for year 2019, the profit margin and return on assets for Robix Group and interpret your answer. Use the information below to support your answer.

Industry average	Profit margin	Return on assets
	15%	20%

(10 marks)

(Total: 25 marks)

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